



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

**SN 2002(11)**

25 Sigourney Street  
Hartford CT 06106-5032

**SPECIAL NOTICE**

**Business Entity Tax**

**Purpose:** This Special Notice describes recently enacted legislation that imposes a Business Entity Tax.

**Effective Date:** Effective July 1, 2002 and applicable to taxable years beginning on or after January 1, 2002.

**Statutory Authority:** 2002 Conn. Pub. Acts 1, §55 (May 9 Spec. Sess.), 2002 Conn. Pub. Acts 4, §1 (May 9 Spec. Sess.).

**Definitions:** As used in this Special Notice:

- **S corporation** means any corporation which is an S corporation for federal income tax purposes.
- **Limited liability company** or **LLC** means any limited liability company which is, for federal income tax purposes, either:
  - treated as a partnership, if it has two or more members, or
  - disregarded as an entity separate from its owner, if it has a single member ("single member LLC" or "SMLLC").
- **Taxable year** means taxable year, for federal income tax purposes.

**Entities Subject to Tax:** For taxable years beginning on or after January 1, 2002, the following business entities are subject to an annual Business Entity Tax of \$250 if they are required to file an annual report with the Connecticut Secretary of the State:

- S corporations;
- Limited liability companies (LLCs), including single member limited liability companies (SMLLCs);
- Limited liability partnerships (LLPs); and
- Limited partnerships (LPs).

**When is a Business Entity Required to File an Annual Report With the Connecticut Secretary of the State?**

All entities that are formed under Connecticut law ("domestic entities") are required to file an annual report with the Connecticut Secretary of the State and are subject to the Business Entity Tax. Entities that are not formed under

Connecticut law ("foreign entities") that obtain a certificate of authority or certificate of registration to transact business in Connecticut from the Connecticut Secretary of the State are also subject to the tax. For information on whether a foreign entity is required to obtain a certificate of authority or certificate of registration from the Connecticut Secretary of the State, contact that office by mail at:

Connecticut Secretary of the State  
Commercial Recording Division  
30 Trinity Street  
Hartford CT 06106

or by e-mail at: [crd@po.state.ct.us](mailto:crd@po.state.ct.us)

**S corporations:** An S corporation is required to file an annual report with the Connecticut Secretary of the State if it is:

- Organized under Chapter 601 of the Connecticut General Statutes ("domestic corporation"); or
- Not organized under Connecticut law ("foreign corporation") but authorized to transact business in Connecticut because it has obtained a certificate of authority from the Connecticut Secretary of the State under Part XVI of Chapter 601.

**LLCs:** An LLC, including an SMLLC, is required to file an annual report with the Connecticut Secretary of the State if it is:

- Formed under Chapter 613 of the Connecticut General Statutes ("domestic LLC"); or
- Not formed under Connecticut law ("foreign LLC") but registered to transact business in Connecticut because it has obtained a certificate of registration from the Connecticut Secretary of the State under Part XII of Chapter 613 of the Connecticut General Statutes.

**LLPs:** An LLP is required to file an annual report with the Connecticut Secretary of the State if it is:

- Formed under Part XI of Chapter 614 of the Connecticut General Statutes ("registered LLP"); or
- Not formed under Connecticut law but authorized to transact business in Connecticut because it has filed a certificate of authority with the Connecticut Secretary of the State ("foreign registered LLP") under Conn. Gen. Stat. §34-429.

**LPs:** An LP is required to file an annual report with the Connecticut Secretary of the State if it is:

- Formed under Chapter 610 of the Connecticut General Statutes (“domestic LP”); or
- Not formed under Connecticut law (“foreign LP”) but registered to transact business in Connecticut because it has obtained a certificate of registration from the Connecticut Secretary of the State under Chapter 610 of the Connecticut General Statutes.

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## How Does the Business Entity Tax Apply to LLCs?

An LLC with two or more members is classified for federal tax purposes as either a corporation or a partnership. An LLC classified as a partnership is subject to the Business Entity Tax of \$250 provided it is required to file an annual report with the Connecticut Secretary of the State. An LLC classified as a corporation is not subject to the tax.

An LLC with only one member (SMLLC) is classified for federal tax purposes as either a corporation or is disregarded. If the SMLLC is disregarded, its activities are treated in the same manner as a sole proprietorship, branch, or division of its owner. An SMLLC that is disregarded is subject to the Business Entity Tax provided it is required to file an annual report with the Connecticut Secretary of the State. An SMLLC classified as a corporation is not subject to the tax.

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## What is the Due Date of the Business Entity Tax?

The Business Entity Tax is required to be paid to the Department of Revenue Services (DRS) by a business entity subject to the tax on or before the fifteenth day of the fourth month following the close of each taxable year of the entity.

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## How Does a Business Entity Report and Pay the Business Entity Tax?

A business entity reports the Business Entity Tax on **Form OP-424, Business Entity Tax Return**. The return, accompanied by a check or money order made payable to “Commissioner of Revenue Services,” should be mailed to: State of Connecticut, PO Box 2936, Hartford CT 06104-2936.

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## Is a Business Entity Subject to Interest and Penalty for Failure to Pay the Business Entity Tax?

Yes. Failure to pay the Business Entity Tax when due subjects a business entity to a \$50 late payment penalty. DRS may waive all or part of the penalty when it is proven that the

failure to pay the tax on time was due to reasonable cause and was not intentional or due to neglect. Interest accrues on any unpaid tax at the rate of 1% (.01) per month or fraction of a month from the due date until the date of payment.

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**Effect of This Document:** A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS and may be referred to for general guidance by taxpayers or tax practitioners.

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**Effect on Other Documents:** None affected.

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**For Further Information:** Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (in-state); or
- **860-297-5962** (from anywhere)

**TTY, TDD, and Text Telephone users only** may transmit inquiries 24 hours a day by calling 860-297-4911.

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**Forms and Publications:** Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **[www.drs.state.ct.us](http://www.drs.state.ct.us)**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.

**Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

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## Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use **Fast-File** to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone. Visit the DRS Web site at: **[www.drs.state.ct.us](http://www.drs.state.ct.us)** and click on **Business Taxes Fast File Program**.
- **For resident income tax returns:** Use **WebFile** to file personal income tax returns over the Internet. Visit the DRS Web site at: **[www.drs.state.ct.us](http://www.drs.state.ct.us)** and click on **Income Tax Web Filing**.